UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SENTEGRA, LLC,

Plaintiff,

v.

SAMSUNG ELECTRONICS AMERICA, INC. and SAMSUNG TELECOMMUNICATIONS AMERICA, LLC,

Defendants.

No. 15–cv–09266–VEC–SN

ORAL ARGUMENT REQUESTED

SAMSUNG'S MEMORANDUM OF LAW IN SUPPORT OF ITS PARTIAL MOTION TO DISMISS FOR FAILURE TO STATE A CLAIM

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INTRODUCTION

The ’627 Patent’s claims are invalid as a matter of law for two independent reasons: (1) they cover an abstract idea and are therefore patent-ineligible under 35 U.S.C. § 101; and (2) they recite both apparatus and method limitations and thus are indefinite under 35 U.S.C. § 112. Because both of these invalidity defenses are issues of law, they can and should be resolved on a motion to dismiss under Fed. R. Civ. P. 12(b)(6).

First, the claims of the ’627 Patent are patent-ineligible as a matter of law under a straightforward application of the two-step framework set forth in *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347 (2014). Under step one, the claims are plainly directed to an abstract idea: securely purchasing an authorization certificate such as a theater ticket. Such transactions have been carried out for many years using the telephone and other means of communication. Indeed, the patent openly acknowledges that its invention consists of taking “traditional ways to pay for purchases” and implementing them on a wireless mobile device: “except for the interface,” these “[t]ransactions would function in much the same way as offline transactions.” ’627 Patent at 1:29; 16:63–64. And, under *Alice* step two, the claims fail to add anything to transform the claimed abstract idea into a patent-eligible application of that idea. Indeed, courts have made clear that where an e-commerce patent—like the ’627 Patent—takes a commercial concept and simply implements it on a mobile device, computer, or the Internet, the patent is ineligible under Section 101. The ’627 Patent does not purport to invent or improve mobile phones, microprocessors, or “any other technology or technical field.” *Alice*, 134 S. Ct. at 2359. Accordingly, the Court should find the ’627 Patent invalid and dismiss Sentegra’s claim for infringement.

Second, the claims of the ’627 Patent are also invalid as a matter of law under Section 112—which requires claims to be “definite”—because they improperly recite both an apparatus and a method of using that apparatus. *See IPXL Holdings, L.L.C. v. Amazon.com, Inc.*, 430 F.3d 1377, 1384 (Fed. Cir. 2005). All of the claims purport to claim an apparatus: "[a] wireless handheld device." But the claims also require the microprocessor of the device to perform certain actions based on user input (*i.e.*, the microprocessor "accesses" the website input by the user, "receives" information, "communicates" information, and "executes" the transaction). These hybrid apparatus/process claims are unclear as to when the claims are infringed—by the manufacture or sale of a wireless handheld device or when the microprocessor performs the steps required to complete a transaction pursuant to user input. Thus, the claims are indefinite as a matter of law and invalid under Section 112.

BACKGROUND

A. Sentegra's lawsuit against Samsung

On November 25, 2015, Plaintiff Sentegra, LLC filed this lawsuit against Samsung Electronics America, Inc.[1] alleging infringement of two patents: (1) U.S. Patent No. 8,706,627 (the "'627 Patent") entitled, "Apparatus, Systems and Methods for Wirelessly Transacting Financial Transfers, Electronically Recordable Authorization Transfers, and Other Information Transfers" (Irwin Decl., Ex. 1); and (2) U.S. Patent No. 7,920,904 ("the '904 Patent") entitled, "Mobile Terminal." Sentegra's Complaint for Patent Infringement (Nov. 25, 2015) (ECF 6) ("Compl.").

Sentegra is a Delaware LLC which, in its own words, has as its "main business objective . . . to develop licensing opportunities for . . . the '627 Patent . . . through enforcement and other means." Compl. ¶ 2; Decl. of Jon Shore ¶ 3, *Sentegra, LLC v. Asus Computer Int'l*, 15–cv–

[1] The Complaint also named "Samsung Telecommunications America, LLC," which Sentegra voluntarily dismissed on March 23, 2016, since no such legal entity exists. *See* Notice of Voluntary Dismissal (Mar. 23, 2016) (ECF 21).

03768–GHW (S.D.N.Y. Sept. 30, 2015) (ECF 39). Sentegra alleges that various Samsung smartphones and tablet computers infringe both patents. Compl. ¶¶ 14, 27.

B. The ’627 Patent

The ’627 Patent is directed to making secure purchases using a mobile wireless device. It provides "[a] way to pay for purchases . . . that is mobile, and that provides a user-friendly electronic interface with financial accounting systems." ’627 Patent at 1:35-40; *see also id.* at 2:5–9 ("The present invention would provide apparatus, systems and methods to wirelessly pay for purchases, electronically interface with financial accounting systems, and electronically record and wirelessly communicate authorization transactions . . . .").

The patent's "Background of the Invention" explains that the purported invention takes the "traditional ways to pay for purchases," *id.* at 1:29, which includes the requirement to "manually update financial accounting records," *id.* at 1:31-32, and migrates them to a wireless mobile device:

> In the past, there have been, and continue to be, many traditional ways to pay for purchases, including cash, checks, credit cards, and debit cards. Traditional payment methods typically require the user to separately, manually update financial accounting records, such as making an entry for each check in the user's check book, or writing a check to pay for credit card bills.
>
> More recently, online Internet payment systems have been developed to provide for payment of bills through online access to a centralized payment system. Some of these systems provide some level of integration with financial accounting systems. However, online Internet payment systems are limited in that the user can not take such a system to a store.
>
> A way to pay for purchases is needed that is mobile, and that provides a user-friendly electronic interface with financial accounting systems.

Id. at 1:28–43. The patent explains that, "except for the interface" (which is not recited in the claims), these "[t]ransactions would function in much the same way as offline transactions." *Id.* at 16:63–64.

The crux of the "invention" is, thus, software that can perform these transactions on a wireless device. The patent does not purport to invent the wireless device itself or any hardware associated with it. Indeed, the '627 Patent notes that wireless devices capable of implementing the software are generic and available "at any retail outlet." *Id.* at 25:13–14; *see also id.* at 8:45–48 ("The invention could be applied to ***all*** hand held or watch-sized PDA computing devices without departing from the spirit of the invention.") (emphasis added); *id.* at 9:12–17 ("A wireless mobile phone enabled to perform functions according to the present invention could be of ***any size or make***. Its operating protocol could be CDMA (Code-Division Multiple Access), TDMA (Time Division Multiple Access), GSM (Global System for Mobile Communications), ***or any other*** digital protocol.") (emphases added).

Claim 1 is representative and claims a "wireless handheld device for executing a mobile transaction using the handheld device." Though its limitations include various generic hardware components—such as memory, a microprocessor, and wireless communication hardware—the heart of the claim relates to the steps that software on the device uses to execute a transaction for the purchase of an "authorization certificate." Examples of "authorization certificate[s]," include tickets "to attend a movie, to take a particular airline flight, and the like." *Id.* at 1:44–47. The software steps include the device accessing a website, requesting an "authorization certificate," receiving a request for payment and security information, providing such payment and security information, downloading the "authorization certificate," and storing the "authorization certificate" in memory.

The full claim 1 reads as follows (with bracketed text added to identify limitations):

> 1. A wireless handheld device for executing a mobile transaction using the wireless handheld device, said wireless handheld device comprising:
>
> [1a] a data storage device adapted for storing data;

[1b] a user input device;

[1c] an executable memory storage device adapted for storing executable program instructions, the executable memory storage device encoded with a first set of executable computer program instructions, and a second set of executable computer program instructions;

[1d] a microprocessor programmed for executing the first set of executable computer program instructions, and the second set of executable computer program instructions;

[1e] wireless communication hardware adapted for communications using wireless Internet protocols over a wireless Internet connection;

[1f] short-range wireless communication hardware adapted for communications using wireless short-range communication protocols;

[1g] said microprocessor, executing the first set of executable computer program instructions, accesses a content host computer device at an Internet-accessible address according to a user input through said user input device of an indication of said Internet-accessible address, said accessing said content host computer device comprising accessing said Internet-accessible address through said wireless communication hardware using wireless Internet protocols through said wireless Internet connection; and

[1h] said microprocessor, executing the second set of executable computer program instructions:

> [1i] requests said content host computer device for a particular authorization certificate for exchange with a particular merchant,
>
> [1j] receives from said content host computer device a request for security and payment information to pay for said particular authorization certificate,
>
> [1k] communicates security and payment information to said content host computer device to pay for said particular authorization certificate,
>
> [1*l*] receives an authorization from said content host computer device to download said particular authorization certificate,
>
> [1m] executes a downloading of data from a memory storage device associated with either the content host computer device or a content provider computer device, said executing said downloading of data comprising downloading said data from said memory storage device to said wireless handheld device through said wireless communication hardware using wireless Internet protocols through said wireless Internet connection, said data comprising said particular authorization certificate,

> [1n] activates a communication by said content host computer device to said content provider computer device of confirmation data comprising said payment information, security information, and said particular authorization certificate, said content provider computer system being accessible by point-of-sale devices for said particular merchant, and
>
> [1o] executes a storing of said data downloaded through the content host computer device in the data storage device of said wireless handheld device.

Despite the veneer of complexity arising from the length of the claim, these limitations reflect nothing more than a computer-implementation of a conventional purchase of a ticket from a ticket broker. ’627 Patent at 16:63–64 (These “[t]ransactions would function in much the same way as offline transactions . . . .”). For example, purchasing theater tickets from Ticketmaster® would involve a customer calling Ticketmaster® on the phone [1g]; requesting a ticket to a Broadway show [1i]; receiving a request for payment and security information [1j]; providing payment information (in the form of a credit card number) and security information (in the form of the security code on the card and the credit card billing address) [1k]; receiving a confirmation code for the purchase on the phone [1*l*]; receiving the ticket in the mail [1m]; Ticketmaster® confirming the purchase with the theater [1n]; and the customer saving the ticket in a safe place until the show [1o].

As demonstrated below in Part I.D below, the other claims are not significantly different for purposes of this motion. Claim 11 (the only other independent claim) and claim 6 (which depends from claim 1) add the abstract idea of biometric verification, claimed in a generic, non-inventive way. Claims 5, 7–10, and 13–16 (which depend directly from claims 1 and 11) add limitations requiring specific types of “authorization certificates,” such as an “electronic coupon,” an “electronic ticket,” an “electronic pharmaceutical prescription,” and “electronic cash.” Claims 2 and 3 add limitations for storing and displaying a total amount in an account. Claim 4 adds a limitation for communicating the authorization certificate to a point-of-sale device. Claim 12 (which depends from claim 11) includes a limitation for communicating security information, which is similar to one of the limitations in claim 1.

As Sentegra noted at the initial case management conference, the prosecution of the '627 Patent at the PTO was an extended process. At one point the PTO rejected an earlier version of the claims for including apparatus and process limitations. *See* Irwin Decl., Ex. 2 (Feb. 13, 2008 Office Action) at 7–8.[2] The applicant amended the claims multiple time during the course of the prosecution, but, as shown below in Section II, the applicant ultimately failed to solve the *IPXL* problem, and the issued claims are invalid, both under Section 101 and as indefinite under *IPXL*.

ARGUMENT

I. The '627 Patent is invalid because it claims an unpatentable abstract idea.

A. The legal standards governing patent eligibility

The patent statute defines the categories of inventions that may be patented: "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." 35 U.S.C. § 101. This provision has been interpreted by the Supreme Court to bar patents on "laws of nature, physical phenomena, and abstract ideas." *Bilski v. Kappos*, 561 U.S. 593, 601 (2010) (citation and internal quotation marks omitted). This is because "[l]aws of nature, natural phenomena, and abstract ideas are the basic tools of scientific and technical work." *Alice*, 134 S. Ct. at 2354 (citation and internal quotation marks omitted). "[M]onopolization of those tools through the grant of a patent might tend to impede innovation more than it would tend to promote it." *Id.*

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[2] The Federal Circuit has approved using the prosecution history for a Rule 12 motion challenging patent eligibility under Section 101. *See OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1363 (Fed. Cir. 2015) (citing and explaining the prosecution history in an opinion affirming a judgment on the pleadings that the patent-in-suit did not claim patentable subject matter). District Courts likewise regularly take judicial notice of a patent's prosecution history in Rule 12 motions. *Xlear, Inc. v. STS Health, LLC*, No. 2:14-CV-00806-DN, 2015 WL 8967574, at *2 (D. Utah Dec. 15, 2015) (taking judicial notice of the "[e]ntire patent prosecution history" of several patents); *In re Bendamustine Consol. Cases*, No. CV 13–2046–GMS, 2015 WL 1951399, at *3 (D. Del. Apr. 29, 2015) (considering prosecution history); *Iconfind, Inc. v. Google, Inc.*, No. 11–cv–0319–GEB–JFM, 2012 WL 158366, *1 (E.D. Cal. Jan. 18, 2012) (taking judicial notice of patent's prosecution history in ruling on a motion seeking a judgment on the pleadings that the asserted claims were unpatentable under § 101); *Prestige Pet Products, Inc. v. Pingyang Huaxing Leather & Plastic Co.*, 767 F. Supp. 2d 806, 813 (E.D. Mich. 2011) ("consider[ing] the Office Action as a letter decision of a governmental agency, which may be considered in a motion to dismiss brought under Rule 12(b)(6)") (quotation marks omitted) (citing *Jackson v. City of Columbus*, 194 F.3d 737, 745 (6th Cir. 1999)).

In *Alice*, the Supreme Court defined a two-part test for determining whether a claim is an unpatentable abstract idea:

- ***First***, a court must determine whether the patent claims at issue are directed to an abstract idea. *Id*. at 2355.
- ***Second***, if they are directed to an abstract idea, the claims are patent ineligible unless they add an "inventive concept." *Id.* at 2357.

"Step one is sort of a 'quick look' test, the purpose of which is to identify a risk of preemption and ineligibility." *Enfish LLC v. Microsoft Corp.*, 56 F. Supp. 3d 1167, 1173 (C.D. Cal. 2014); *cf. Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 714 (Fed. Cir. 2014) (defining "the abstract idea" as "the heart of the" patent's alleged invention). To determine if a claim covers an abstract idea, the Court should first determine "what the claim is trying to achieve, instead of examining the point of novelty." *Enfish*, 56 F. Supp. 3d at 1173. This means "recit[ing] a claim's purpose at a reasonably high level of generality." *Id.*

Under step two, the issue is whether "the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself." *Alice*, 134 S. Ct at 2357 (citation and internal quotation marks omitted). A court must "consider the elements of each claim both individually and as an ordered combination to determine whether the additional elements transform the nature of the claim into a patent-eligible application." *Id.* at 2355 (citation and internal quotation marks omitted). This has been described as a search for an "inventive concept." *Id.* at 2357.

"[C]onventional steps, specified at a high level of generality" do not reflect an "inventive concept." *Id.* at 2357 (citations and internal quotation marks omitted). "If a patent's recitation of a computer amounts to a mere instruction to 'implemen[t]' an abstract idea 'on . . . a computer,' . . . that addition cannot impart patent eligibility." *Id.* at 2358 (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1301 (2012)). Likewise, "generic computer components configured to implement [an abstract] idea" do not add an "inventive concept." *Alice, 134 S. Ct.* at 2360.

The patent claims in *Alice* were found invalid because (1) they were directed to the abstract idea of "intermediated settlement, *i.e.*, the use of a third party to mitigate settlement risk," which was an "economic practice long prevalent in our system of commerce"; and (2) they did not include an inventive concept: they did not "purport to improve the functioning of the computer itself" and did not "effect an improvement in any other technology or technical field." *Id*. at 2356–58. Instead, the *Alice* patents simply "disclose[d] a computer-implemented scheme for mitigating 'settlement risk' (*i.e.*, the risk that only one party to a financial transaction will pay what it owes) by using a third-party intermediary." *Id.* at 2351–52. The purely functional and generic hardware claimed in Alice—*e.g.*, a "data processing system" with a "communications controller" and "data storage unit"—did not constitute an inventive concept because it offered no meaningful limitation beyond linking the functionality to a particular technological environment, *i.e.*, "implementation via computers." *Id.*

Since the *Alice* decision, there has been a wave of court decisions invalidating patents under Section 101. In that time, the Federal Circuit has issued 16 opinions in challenges under Section 101 (not including summary affirmances). The court invalidated (or upheld rejections of) the claims at issue in all but one of those cases.[3] In that one case—*DDR Holdings, LLC v. Hotels.com L.P.*, 773 F.3d 1245 (Fed. Cir. 2014)—the court upheld the claims because they were "necessarily rooted in computer technology to overcome a problem specifically arising in the realm of computer networks." *Id.* at 1257. But where a patent simply takes an abstract idea and implements it in software, the patent is invalid under Section 101.

"Section 101 patent eligibility is a question of law," *In re Roslin Institute (Edinburgh)*, 750 F.3d 1333, 1335 (Fed. Cir. 2014), and it is therefore appropriate to resolve the issue on a Rule 12 motion. *See, e.g.*, *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1351 (Fed. Cir. 2014); *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat. Ass'n*, 776 F.3d 1343, 1349 (Fed. Cir. 2014); *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1364 (Fed. Cir. 2015); *Lumen View Tech. LLC v. Findthebest.com, Inc.*, 984 F. Supp. 2d 189, 191 (S.D.N.Y. 2013).

B. *Alice* Step 1: The '627 Patent's claims are directed to an abstract idea.

The '627 Patent's claims are directed to an abstract idea: securely purchasing an "authorization certificate" (e.g., theater tickets).[4] The patent takes the "traditional" purchase

[3] *In re Smith*, -- F.3d --, 2016 WL 909410 (Fed. Cir. Mar. 10, 2016); *Mortg. Grader, Inc. v. First Choice Loan Servs. Inc.*, 811 F.3d 1314 (Fed. Cir. 2016); *Vehicle Intelligence & Safety LLC v. Mercedes-Benz USA, LLC*, -- Fed. Appx. --, 2015 WL 9461707 (Fed. Cir. Dec. 28, 2015) *petition for cert. docketed* (U.S. Mar. 24, 2016) (No. 15–1201); *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306 (Fed. Cir. 2015); *Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363 (Fed. Cir. 2015); *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343 (Fed. Cir. 2015); *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371 (Fed. Cir. 2015), *petition for rehearing en banc denied*, 809 F.3d 1282 (Fed. Cir. 2015), *petition for cert filed* (Mar. 21, 2016) (No. 15–1182); *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359 (Fed. Cir. 2015); *Allvoice Devs. US, LLC v. Microsoft Corp.*, 612 Fed. Appx. 1009 (Fed. Cir. 2015); *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat. Ass'n*, 776 F.3d 1343 (Fed. Cir. 2014); *In re BRCA1- and BRCA2-Based Hereditary Cancer Test Patent Litig.*, 774 F.3d 755 (Fed. Cir. 2014); *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709 (Fed. Cir. 2014); *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014); *Planet Bingo, LLC v. VKGS LLC*, 576 Fed. Appx. 1005 (Fed. Cir. 2014); *Digitech Image Techs., LLC v. Elecs. for Imaging, Inc.*, 758 F.3d 1344 (Fed. Cir. 2014).

[4] The analysis in this section focuses primarily on claim 1, which is representative of all the claims for purposes of the Section 101 analysis. *See Ultramercial*, 772 F.3d at 712 (affirming invalidity of 16 claims under 12(b)(6) by focusing only on claim 1 because "the other claims of the patent are drawn to a similar process, they suffer from the same infirmity as claim 1 and need not be considered further"); *CyberFone Sys., LLC v. Cellco P'ship*, 885 F. Supp.
(continued…)

process, ‘627 Patent at 1:30-34, and puts it on a generic wireless device: “A way to pay for purchases is needed that is mobile, and that provides a user-friendly electronic interface” to perform these transactions over the Internet. *Id.* at 1:35–40; *see also id*. at 2:6–7 (describing the invention as “apparatus, systems, and methods to wirelessly pay for purchases, electronically record and wirelessly communicate authorization transactions using [wireless handheld devices]”). The patent admits that, “except for the interface,” these “[t]ransactions would function in much the same way as offline transactions.” ’627 Patent at 16:63–64; *see also id.* at 18:24–28 (explaining that “the invention would utilize the existing infrastructure for processing debit card and/or credit card transactions that is already in place”).

Courts routinely find that patents like this—directed to pre-existing commercial practices—are abstract under *Alice* step one. *See, e.g.*, *buySafe*, 765 F.3d at 1352 (claims directed to a “transaction performance guaranty”); *Mortg. Grader*, 811 F.3d at 1324 (claimed series of steps were “borrower applies for a loan, a third party calculates the borrower’s credit grading, lenders provide loan pricing information to the third party based on the borrower’s credit grading, and only thereafter (at the election of the borrower) the borrower discloses its identity to a lender”); *Inventor Holdings, LLC v. Bed Bath & Beyond Inc.*, 123 F. Supp. 3d 557, 561 (D. Del. 2015) (claimed methods were abstract idea which simply “builds upon the practice of ‘layaway’ goods that require a deposit to secure an item for later purchase”).

The dozen or so limitations in the ’627 Patent’s claims do not make the underlying idea any less abstract; they simply break the abstract idea into a number of steps consisting of routine

2d 710, 719 (D. Del. 2012) (granting a Rule 12(b)(6) motion invalidating all 24 claims under 35 USC §101 after analyzing just one of the 24 claims); *Cogent Med., Inc. v. Elsevier Inc.*, Nos. C-13-4479-RMW, C-13-4483, C-13-4486, 2014 WL 4966326, at *6 (N.D. Cal. Sep. 30, 2014) (granting a Rule 12(b)(6) motion invalidating 17 patent claims under 35 USC § 101 after analyzing just one claim). For completeness, we also address the other claims in Section I.D below.

communications over the Internet, using generic hardware. *See Cloud Satchel, LLC v. Amazon.com, Inc.*, 76 F. Supp. 3d 553, 562–63 (D. Del. 2014) ("The length or specificity of the asserted claims does not prevent the claims from fundamentally reciting an abstract idea . . . ."); *Ultramerical*, 772 F.3d at 715 (Fed. Cir. 2014) (invalidating claim that recited "eleven steps" because "[a]lthough certain additional limitations . . . add a degree of particularity, the concept embodied by the majority of the limitations describes only the abstract idea of showing an advertisement before delivering free content"); *Inventor Holdings, LLC v. Gameloft, Inc.*, -- F. Supp. 3d --, No. 14–1072–LPS, 2015 WL 5769220, at *5 (D. Del. Sept. 30, 2015) (invalidating claim to a "mobile device" with four hardware limitations and five steps); *Network Apparel Grp., LP v. Airwave Networks Inc.*, No. 15–CV–00134–WSS–JCM, 2015 WL 9661571, at *1–2 (W.D. Tex. Dec. 30, 2015) (invalidating a "system" claim that recited 10 limitations and consumed over 38 lines of text in the patent).

C. *Alice* Step 2: The '627 Patent's claims lack an inventive concept because they rely on generic hardware and conventional Internet communications.

Under *Alice* Step 2, the claims of the '627 Patent add no inventive concepts to the claimed abstract idea; they simply recite generic computer hardware, performing conventional computer functions.

All of the hardware components of claim 1—"data storage device," "user input device," "executable memory storage device," "microprocessor," "wireless communication hardware," "short-range wireless communication hardware," and "display device"—are exactly the type of "purely functional and generic" hardware components rejected by *Alice* and related cases as lacking inventiveness. 134 S. Ct. at 2360. These components have all been well-known for decades, and the patent does not purport to invent them or improve upon them. The same is true of the non-inventive Internet, and other generic, computer-implemented communications recited in claim 1.

"Memory storage device" and "data storage device." As to the "memory storage device," the patent affirms that it is generic: it "***includes any and all*** devices on which data can be stored, including RAM, ROM, main memory, magnetic disk, optical disk and the like." '627 Patent at 55:55–58 (emphasis added). The '627 Patent does not purport to invent or improve upon memory or data storage, and courts have found such claim limitations do not constitute an inventive concept. *See, e.g., Enfish*, 56 F. Supp. 3d at 1177 ("[T]he recitation of computer memory does nothing more than limit the abstract idea to a technological environment.").

"User input device," "microprocessor," "wireless communication hardware," and "short-range wireless communication hardware." The other hardware components are equally generic and non-inventive. *See Alice*, 134 S. Ct. at 2360 (holding that a "data processing system" with a "communications controller" and "data storage unit" are "purely functional and generic"); *OpenTV, Inc. v. Apple Inc.*, No. 15–CV–02008–EJD, 2016 WL 344845, at *7 (N.D. Cal. Jan. 28, 2016) (holding that "'a control unit,' 'memory' and 'receiver,'. . . are not in any way unique" and are instead "generic and well known components" that were claimed to "perform normal and basic functions"); *FairWarning IP, LLC v. Iatric Sys., Inc.*, No. 14–CV–2685–T–23MAP, 2015 WL 3883958, at *4 (M.D. Fla. June 24, 2015) (holding that "an 'interface' and a 'microprocessor,' both of which are fundamental components of every computer," were "generic components").

Internet communications. The limitations concerning the exchange of information "over" the Internet—*i.e.*, the "accesses," "execut[es]," "requests," "receives," "communicates," and "activates" limitations—are "not even arguably inventive." *buySAFE*, 765 F.3d at 1355 (using the "Internet to verify credit-card transaction does not add enough to abstract idea of verifying the transaction"). As explained above, these steps simply reflect the computer-implemented analogue of, for example, purchasing a theater ticket from Ticketmaster®. Indeed, the '627 Patent's specification makes clear that the claimed Internet communication is entirely uninventive: "[t]he wireless PDA would use the same protocols as an[y] Internet-capable wireless phone." '627 Patent at 16:58–59; *id*. at 10:21–25 ("The wireless modem could be configured and programmed to work on ***any*** communications protocol.") (emphasis added); *id*. at 12:10–12 (the software that exchanges and processes the information in the claims can be "***any*** Internet browser/interface software ***already present*** on the client and server computers."); *id*. at 16:63–64 ("[t]ransactions would function in much the same way as offline transactions"); *see Ultramercial*, 772 F.3d at 716 ("As we have held, the use of the Internet is not sufficient to save otherwise abstract claims from ineligibility under § 101."); *Joao Bock Transaction Sys., LLC v. Jack Henry & Assocs., Inc.*, 76 F. Supp. 3d 513, 523 (D. Del. 2014) (holding apparatus claim invalid where the "computer components are being employed for basic functions, including . . . transmitting and receiving information"); *BASCOM Glob. Internet Servs., Inc. v. AT & T Mobility LLC*, 107 F. Supp. 3d 639, 654 (N.D. Tex. 2015) (finding nothing inventive added by limitation reciting communication between an Internet server and a user's local client computer); *MyMedicalRecords, Inc. v. Walgreen Co.*, No. 13–CV–00631–ODW–SH, 2014 WL 7339201, at *3 (C.D. Cal. Dec. 23, 2014) (holding that limitations for various communications "between a computer and [Internet] server"—"associating access information . . ."; "providing a user interface"; "receiving files at the server . . . "; "receiving requests through the user interface"; "sending files"; and "independently maintaining files on the server . . ."—were "routine, conventional functions of a computer and server and therefore broadly and generically claim the use of a computer and Internet to perform the abstract purpose of the asserted claims").

The foregoing generic hardware and communication limitations are also non-inventive as an "ordered combination"; the claims simply recite a generic mobile phone performing an e-commerce transaction; this is not inventive. *See, e.g.*, *Inventor Holdings*, 2015 WL 5769220, at *12 (holding that claims that "recite standard use of a conventional mobile phone in its normal, expected manner" are not patent eligible even if "they recite a particular method of using" the device).

The '627 Patent's attempt to claim an apparatus, *i.e.*, a generic mobile phone, rather than a method—as Sentegra emphasized at the status conference—is irrelevant. Courts regularly find apparatus claims patent-ineligible under Section 101, particularly where, as here, the crux of the invention is not the apparatus itself, but what the software in the apparatus does. *See, e.g.*, *buySAFE*, 765 F.3d at 1351 ("a computer-readable medium [i.e., an apparatus] encoded with instructions"); *Affinity Labs of Tex., LLC v. DirecTV, LLC*, 109 F. Supp. 3d 916, 929 (W.D. Tex. 2015) (invalidating claims that take an "abstract idea . . . and . . . 'apply it' to a wireless, cellular telephone device acting as a generic computer"); *Inventor Holdings*, 2015 WL 5769220, at *5 ("[a] mobile device operable to facilitate a game playable on the mobile device"); *Adrea, LLC v. Barnes & Noble, Inc.*, No. 13–CV–4137 JSR, 2015 WL 4610465, at *5 (S.D.N.Y. July 24, 2015) ("[a] portable viewer for displaying electronic books"); *Voxathon LLC v. Alpine Elecs. of Am., Inc.*, No. 15–CV–562–JRG, 2016 WL 260350, at *1 (E.D. Tex. Jan. 21, 2016) ("[a] call recovery system" that included "a memory device" and "a processor"); *Joao Bock*, 76 F. Supp. 3d at 521 (a "transaction security apparatus").

At bottom, the fundamental problem with the ’627 Patent’s claims is that they do not provide a “solution [that] is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” *DDR Holdings*, 773 F.3d at 1257. “Nor do the claims solve a problem unique to the Internet.” *Mortg. Grader*, 811 F.3d at 1325. Instead, they “merely recite the performance of some business practice known from the pre-Internet world along with the requirement to perform it on the Internet.” *DDR Holdings*, 773 F.3d at 1257. The Supreme Court and the Federal Circuit have made clear that this is insufficient for patentability.

D. The other claims add nothing inventive to the underlying abstract idea.

The discussion above focuses on claim 1, but the details in the other claims (claims 2–16) also add no inventive concepts. Instead, they simply embellish the same abstract idea by adding similarly non-inventive steps implemented by generic computer hardware.

Claims 2–3. These claims add limitations relating to storing and displaying the total amount in an “account.”[5] These additional steps simply add storage and display to the abstract idea and achieve that step with generic hardware; thus, they do not add an inventive concept.

Claim 4. Claim 4 simply adds the step of communicating the authorization to a (generically-claimed) Point-of-Sale device using (generically-claimed) short-range wireless communications hardware and protocols. But the patent does not purport to have invented or improved Point-of-Sale devices or short-range wireless communications hardware or protocols. *See* ’627 Patent at 2:14–19 (explaining that the device can use “all short range wireless

[5] “[T]he account” in claims 2 and 3 lacks an antecedent basis, which makes these claims invalid on grounds not being argued in this motion. *See Illinois Computer Research LLC v. HarperCollins Publishers, Inc.*, No. 10 CIV. 9124 KBF, 2012 WL 163801, at *11 (S.D.N.Y. Jan. 19, 2012) (holding that the lack of antecedent basis for the term “said requests” rendered the claim indefinite because it “leaves the public in the untenable position of not knowing how its conduct might or might not run afoul of the claimed invention”).

interfaces, [which] are referred to as 'infrared'"); 9:47–50 (explaining that "an external aftermarket infrared interface" could be "connect[ed] to various types of point of sale terminals and credit card/debit card processing terminals"). Instead, claim 4 represents nothing more than a computer-implementation of, for example, a person showing their theater ticket to a box office usher. Thus dependent claim 4 is also an abstract idea without an inventive concept. *See Motivation Innovations, LLC v. Petsmart, Inc.*, No. CV 13-957-SLR, -- F.3d --, 2016 WL 141621, at *8 (D. Del. Jan. 12, 2016) (finding no inventive concept in "using a generic point-of-sale machine (i.e., means for tabulating)" where "the specification explains that the POS machine is a 'standard readily available machine'").

Claims 5, 7–10, 13–16. These claims simply identify particular types of authorization certificates—"electronic coupon" (claim 5), "electronic ticket" (claims 7 & 13), "electronic pharmaceutical prescription" (claims 8 & 14), "electronic insurance data" (claims 9 & 15), and "electronic cash" (claims 10 & 16)—which add nothing to the abstract idea of securely purchasing an authorization certificate; they are simply examples of the types of goods or services being purchased.

Claims 6 and 11. These claims add a "biometric data reading device." But the patent does not purport to have invented or improved such a device. Nor does it purport to use biometric data in a unique way. Instead, the patent generically refers to an "[o]ptional biometric device," '627 Patent at 9:7, and "biometric reader," *id.* at 29:25. Thus, claims 6 and 11 also claim abstract ideas without adding an inventive concept. *See Inventor Holdings*, 2015 WL 5769220, at *5 (holding that an "unlock code" that "may also include user biometric information (e.g., voiceprint, fingerprint, retinal scan, DNA, etc. information)" was not inventive to a mobile device); *cf. Intellectual Ventures II LLC v. JP Morgan Chase & Co.*, No. 13–CV–3777–AKH, 2015 WL 1941331, at *12 (S.D.N.Y. Apr. 28, 2015) (recognizing that protecting access to digital information by enforcing certain rules is a conventional concept).

Claim 12. Claim 12 simply adds the abstract idea of, for example, verifying the user before the user selects a ticket to purchase. Again, this is not inventive.

In sum, no claim of the '627 Patent adds anything inventive to the "abstract idea at the heart of the" patent: securely purchasing an authorization certificate. *Ultramercial*, 772 F.3d at 714. Thus, the claims are all invalid as a matter of law

II. The '627 Patent is fatally indefinite because its claims contain both apparatus and process limitations.

The '627 Patent is also invalid under Section 112 because every one of its claims recites both apparatus and process limitations, which renders each claim indefinite as a matter of law.

A. The legal standard governing indefiniteness.

A claim must "particularly poin[t] out and distinctly clai[m] the subject matter which the applicant regards as his invention." 35 U.S.C. § 112 ¶ 2.[6] A claim fails this "definiteness" requirement, if its language, when read in light of the specification and the prosecution history, "fail[s] to inform, with reasonable certainty, those skilled in the art about the scope of the invention." *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2124 (2014). A claim must be understood "as written, not as the patentees wish they had written it." *Chef Am., Inc. v. Lamb-Weston, Inc.*, 358 F.3d 1371, 1374 (Fed. Cir. 2004).

In *IPXL*, the Federal Circuit identified a particular kind of indefiniteness: a hybrid claim that contains limitations from more than one statutory category—*i.e.*, "process, machine,

[6] Where, as here, the "applications resulting in the patents at issue . . . were filed before" September 16, 2012 the Court must "refer to the pre-AIA [American Inventors Act] version of § 112." *AbbVie Deutschland GmbH & Co., KG v. Janssen Biotech, Inc.*, 759 F.3d 1285, 1290 n.3 (Fed. Cir. 2014).

manufacture, or composition of matter." 35 U.S.C. § 101. The claim in that case was held indefinite because it contained both machine (or apparatus) and process (or method) limitations. The claim reads as follows:

> The system of claim 2 [including an input means] wherein the predicted transaction information comprises both a transaction type and transaction parameters associated with that transaction type, and *the user uses the input means* to either change the predicted transaction information or accept the displayed transaction type and transaction parameters.

430 F.3d at 1384 (emphasis in original). The Federal Circuit held that the italicized language above was indicative of a process step, even though the claim purported to cover a system (i.e., a "machine" or apparatus under Section 101). *Id.* As a result, the court held that the claim did not apprise a person of ordinary skill in the art if one infringes by making or selling the machine, or by performing the process steps. The claim was therefore invalid under Section 112. *Id.*

Several decisions following *IPXL* have addressed challenges to apparatus claims on the ground that they include process steps. These cases turn on whether the limitations are deemed process steps (*i.e.*, requiring an action) or merely capabilities of the apparatus. *Compare H-W Tech., L.C. v. Overstock.com, Inc.*, 758 F.3d 1329 (Fed. Cir. 2014) (invalidating apparatus claim with limitation, "user completes a transaction with at least one of said merchants listed without the need to generate a voice call"); *In re Katz Interactive Call Processing Patent Litig.*, 639 F.3d 1303, 1318 (Fed. Cir. 2011) (invalidating apparatus claim with limitation, "callers digitally enter data"); *Rembrandt Data Techs., LP v. AOL, LLC*, 641 F.3d 1331, 1339 (Fed. Cir. 2011) (invalidating apparatus claim with limitation, "transmitting the trellis encoded frames" by the apparatus); *Courtesy Prods., L.L.C. v. Hamilton Beach Brands, Inc.*, No. CV 13–2012–SLR, 2015 WL 7295436, at *5 (D. Del. Nov. 18, 2015) (invalidating system claim with limitation, "brewing machine heating water from the water reservoir") *with Microprocessor Enhancement Corp. v. Texas Instruments Inc.*, 520 F.3d 1367, 1375 (Fed. Cir. 2008) (upholding claim with the limitation, "performing a boolean algebraic evaluation," because the limitation merely required that the apparatus be "*capable* of performing the recited functions") (emphasis in original); *UltimatePointer, L.L.C. v. Nintendo Co.*, -- F.3d --, No. 2015–1297, 2016 WL 798354, at *9 (Fed. Cir. Mar. 1, 2016) (upholding claims because they "make clear that the 'generating data' limitation reflects the *capability* of that structure rather than the activities of the user") (emphasis added).

Indefiniteness under Section 112 is an issue of law. *See Biomedino, LLC v. Waters Techs. Corp.*, 490 F.3d 946, 949 (Fed. Cir. 2007). Accordingly, although several cases have addressed this issue at the claim construction stage, a complaint for patent infringement can be dismissed pursuant to a Rule 12 motion where, viewing the patent claims in the light most favorable to the plaintiff, the claims are indefinite. *See WAGO Verwaltungsgesellschaft mbH v. Rockwell Automation*, No. 11–CV–00756–CAB, 2012 WL 775683, at *5 (N.D. Ohio Mar. 7, 2012) (finding that "the record is sufficient to definitively determine whether the disputed claims are indefinite" on *IPXL* grounds in a motion for judgment on the pleadings); *Intellect Wireless, Inc. v. Kyocera Commc'ns, Inc.*, No. 08 C 1350 (JFH), 2009 WL 3259996 (N.D. Ill. Oct. 8, 2009) (finding that the court "can resolve the legal issue presented in Kyocera's motion without construing the patents' claims beyond their plain and ordinary meaning" and noting that "neither *IPXL Holdings* nor *Microprocessor* . . . indicates that claim construction is a prerequisite to judicial determination of invalidity due to indefiniteness"); Memo. Endorsement, *Sentegra, LLC v. LG Elecs. MobileComm USA, Inc.*, 15–cv–01535–CM–AT, at 1 (S.D.N.Y. Oct. 1, 2015) (ECF 24) (agreeing with LG that the *IPXL* motion could be heard "first" (*i.e.*, before *Markman* briefing)).

B. The '627 Patent attempts to claim an apparatus—"[a] wireless handheld device"—but improperly includes several process steps.

The claims of the '627 Patent purport to be apparatus claims for a "wireless handheld device." But the claims go beyond apparatus limitations and require the claimed microprocessor to perform several operations, including one operation that is dependent on user input. The claims are therefore indefinite and invalid as a matter of law.

The process limitations of Claim 1 are italicized below (the other independent claim (Claim 11) recites similar limitations):

> 1. A wireless handheld device for executing a mobile transaction using the wireless handheld device, said wireless handheld device comprising:
>
> a data storage device adapted for storing data;
>
> a user input device;
>
> an executable memory storage device adapted for storing executable program instructions, the executable memory storage device encoded with a first set of executable computer program instructions, and a second set of executable computer program instructions;
>
> a microprocessor programmed for executing the first set of executable computer program instructions, and the second set of executable computer program instructions;
>
> wireless communication hardware adapted for communications using wireless Internet protocols over a wireless Internet connection;
>
> short-range wireless communication hardware adapted for communications using wireless short-range communication protocols;
>
> said ***microprocessor***, executing the first set of executable computer program instructions, ***accesses a content host computer device at an Internet-accessible address according to a user input*** through said user input device of an indication of said Internet-accessible address, said accessing said content host computer device comprising accessing said Internet-accessible address through said wireless communication hardware using wireless Internet protocols through said wireless Internet connection; and
>
> said ***microprocessor***, executing the second set of executable computer program instructions:
>
>> ***requests*** said content host computer device for a particular authorization certificate for exchange with a particular merchant,

> ***receives*** from said content host computer device a request for security and payment information to pay for said particular authorization certificate,
>
> ***communicates*** security and payment information to said content host computer device to pay for said particular authorization certificate,
>
> ***receives*** an authorization from said content host computer device to download said particular authorization certificate,
>
> ***executes*** a downloading of data from a memory storage device associated with either the content host computer device or a content provider computer device, said executing said downloading of data comprising downloading said data from said memory storage device to said wireless handheld device through said wireless communication hardware using wireless Internet protocols through said wireless Internet connection, said data comprising said particular authorization certificate,
>
> ***activates*** a communication by said content host computer device to said content provider computer device of confirmation data comprising said payment information, security information, and said particular authorization certificate, said content provider computer system being accessible by point-of-sale devices for said particular merchant, and
>
> ***executes*** a storing of said data downloaded through the content host computer device in the data storage device of said wireless handheld device.

The italicized limitations above do not recite "system capabilities," *In re Katz*, 639 F.3d at 1318, but instead recite actions performed as part of a claimed process.

First, the plain language of these terms—consisting of present-tense, active verbs—describes *actions* taken by the microprocessor, not capabilities of the microprocessor. Courts have found similar language to constitute process steps. *See IPXL*, 430 F.3d at 1384 ("the user *uses* the input means") (emphasis added); *Katz*, 639 F.3d at 1318 ("callers digitally *enter* data"); *H-W*, 758 F.3d at 1336 ("user *selects*") (emphasis added); *Rembrandt*, 641 F.3d at 1339 ("*transmitting* the trellis encoded frames") (emphasis added); *Courtesy*, 2015 WL 7295436, at *5 ("brewing machine *heating* water from the water reservoir") (emphasis added); *Ariba, Inc. v. Emptoris, Inc.*, No. 07–CV–90, 2008 WL 3482521, at *7 (E.D. Tex. Aug. 7, 2008) ("a bid submitted by the potential seller operating the bidding device *is compared* to the corresponding bid ceiling of the potential seller operating the bidding device") (emphasis added) *aff'd*, No. 2009-1230, 2010 WL 55625 (Fed. Cir. Jan. 8, 2010).

Second, these action steps are phrased differently than other terms within the same claim that, in clear contrast, properly recite mere capability. For example, claim 1 recites "a data storage device *adapted for* storing data." (Emphasis added.) The "adapted for" phrase plainly indicates a *capability* of the data storage device. This term is not an action step because it does not say, for example, "a data storage device *stores* data." Similarly, claim 1 also recites "an executable memory storage device *adapted for* storing executable program instructions"; "a microprocessor *programmed for* executing the first set of executable instructions, and the second set of executable instructions"; and "wireless communication hardware *adapted for* communications using wireless Internet protocols over a wireless short-range communication protocols"; and claim 11 recites "a biometric reading device *adapted for* reading biometric data." (Emphases added).

These limitations demonstrate that when the inventor wanted to recite a capability, he knew how to do so. *See E-Watch Inc. v. Apple, Inc.*, No. 13–CV–1061–JRG–RSP, 2015 WL 1387947, at *4–6 (E.D. Tex. Mar. 25, 2015) (holding that a limitation was a process step because "the surrounding claim language . . . indicates that the patentee understood how to draft claim language that referred to the capabilities of an element"). Indeed, the inventor knew how to claim a device that has a capability programmed into it with software: claim 1 recites an "executable memory storage device *encoded with* a first set of executable program instructions, and a second set of executable program instructions." (Emphasis added.) The inventor chose not to use the same formulation to indicate that the "accesses," "requests," "receives," "communicates," "executes," and "activates" limitations are capabilities of the microprocessor.

Instead, the inventor chose active verbs to indicate steps in a process that must be performed to infringe. The Court is not permitted to "redraft claims" to fix this problem. *Rembrandt*, 641 F.3d at 1339.

Third, a number of decisions have found that claim limitations are process steps—thereby invalidating apparatus claims—where the limitations required user action. *See, e.g.*, *IPXL*, 430 F.3d at 1384; *In re Katz*, 639 F.3d at 1318; *H-W*, 758 F.3d at 1335; *E-Watch*, 2015 WL 1387947, at *5; *Ariba*, 2008 WL 3482521, at *7. Here, the "accesses" step expressly depends on "user input through said user input device." This user input indicates which Internet address is being visited to perform the transaction. Indeed, it is the trigger for all of the microprocessor steps that follow. This dependency on user input reinforces that these limitations are process steps, not capabilities: none of those steps occur until the user inputs the Internet address and causes the device to connect to that address. Thus, "it is unclear whether infringement . . . occurs when one creates a" device "that allows the user" to connect to a website to perform the transaction "or whether infringement occurs when the user actually uses" the device by inputting the Internet address and causing all the other steps to occur. *IPXL*, 430 F.3d at 1384.

Finally, many of the dependent claims confirm that some of the claim limitations in the independent claims are fatally directed to performing particular transactions, rather than to the capability of the wireless device. For example, claims 5, 7–10, and 13–16 identify specific types of authorization certificates that may be downloaded in particular transactions: an "electronic coupon" (claim 5), "electronic ticket" (claims 7 & 13), "electronic pharmaceutical prescription" (claims 8 & 14), "electronic insurance data" (claims 9 & 15), and "electronic cash" (claims 10 & 16). This reinforces that the heart of the claims is the particular transaction being performed by the device, not the capability of the device, because a microprocessor's capability is not affected by the type of ticket being purchased by the user. Similarly, the second limitation of claim 6 recites a limitation on the *transaction* itself (obtaining biometric data), rather than on the capabilities of the device executing the transaction. Again, by focusing on the transaction, this claim underscores that the crux of the claims is the transaction, not the capability to engage in the transaction. Thus, the dependent claims further demonstrate that the claims focus on the execution of particular transactions rather than the capabilities of the device.

CONCLUSION

For the foregoing reasons, Samsung's motion to dismiss the claim of infringement of the '627 Patent should be granted.

Respectfully submitted,
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